

Audit & Governance Committee

Consideration of the audited
financial statements for the year
ended 31 March 2020

16th November 2020



What we'll cover in this session

- LGR and local context
- Statutory/regulatory background
- Approving the accounts
- Performance for the year, CIES, MIRS and context
- Impact on reserves
- Balance sheet
- Cash flow
- Future prospects
- Audit opinion (briefly)
- Work still in progress



What happened last year?

- First set of accounts for Dorset Council
- SI2018/648 – The Bournemouth, Dorset and Poole (Structural Changes) Order 2018
- Reorganisation of local government in Dorset
- Six councils into one (nine into two)
- Proposal submitted on 9 February 2017
- Approved on 26 February 2018
- New Council to be delivered on 1 April 2019



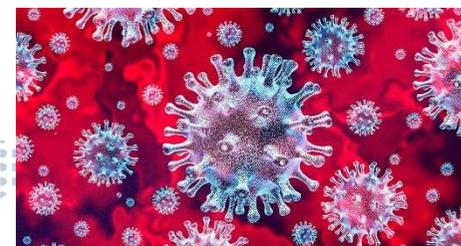
What did the finance team do?

- Supported delivery of £10m+ staff savings
- Reorganisation of staffing into leaner structure
- Appointed new auditor
- Managed all financial and tax compliance
- Disaggregation of County Council budgets and balance sheet – 181 templates, £0.9bn assets
- Established Weymouth Town Council
- Consolidation of six opening balance sheets
- Harmonisation council tax
- Harmonisation of fees and charges
- Built a budget for a brand new council
- Consolidated treasury management arrangements



What happened next?

- Consolidated processing into a single general ledger system
- Harmonised accounting policies and processes
- Further rationalisation of systems and phased shut-down of legacy solutions/integration to SAP
- Consolidation and convergence of contracts and purchasing
- Delivered training to all finance staff
- Finance training programme for budget holders
- Delivered new council financial reports from 1 April 2019
- Set revenue and capital budgets for 2020/21 and developed a new MTFP which members can access
- Closed the accounts 2019/20
- Covid-19...



Statutory context

- CIPFA Code of Practice on Local Authority Accounting 2019/20 (the Code)
- International Financial Reporting Standards
- Local Government Acts
- Accounts & Audit Regulations 2015 as amended by Accounts & Audit (Coronavirus) (Amendment) Regulations 2020
- CIPFA Service Reporting Code of Practice (SeRCOP)
- LAAP bulletins



Approving the accounts

- Required by regulations (Regulation 9)
- By Council or by delegation to committee
- Approval by 30 November
- CFO (S151) certification by 31 August
- Published as unaudited
- Audit and (public) inspection
- Delivering assurance
- Timing and delegated authority



Performance for the year

Overspend of nearly £5.0m

Directorate	Net Budget	Forecast	Forecast (Overspend)/	
		Outturn	Underspend	
	£k	£k	£k	%
People - Adults	114,188	125,267	(11,080)	(9.70%)
People - Children's	65,025	73,757	(8,733)	(13.43%)
Place	58,726	60,054	(1,327)	(2.26%)
Corporate Development	35,200	34,737	462	1.31%
Legal & Democratic	8,830	8,615	215	2.44%
Public Health	818	818	0	0.00%
Total Service Budgets	282,787	303,248	(20,462)	(7.24%)
Central Finance	(358,177)	(373,651)	15,473	(4.32%)
Whole Authority	(75,390)	(70,403)	(4,988)	(6.62%)

CIES

(comprehensive income and expenditure statement)

- Prepared on the same basis as a company
- It includes all costs and revenues for the service lines shown
- Format is predefined but aligns with our services
- Shows net cost of delivering services is £400m
- Other operating items (not service-line specific)
- Analysis of funding – CT, NDR etc - £365.6m
- Revaluation & actuarial gain/loss
- Bottom line - £34.7m net expenditure



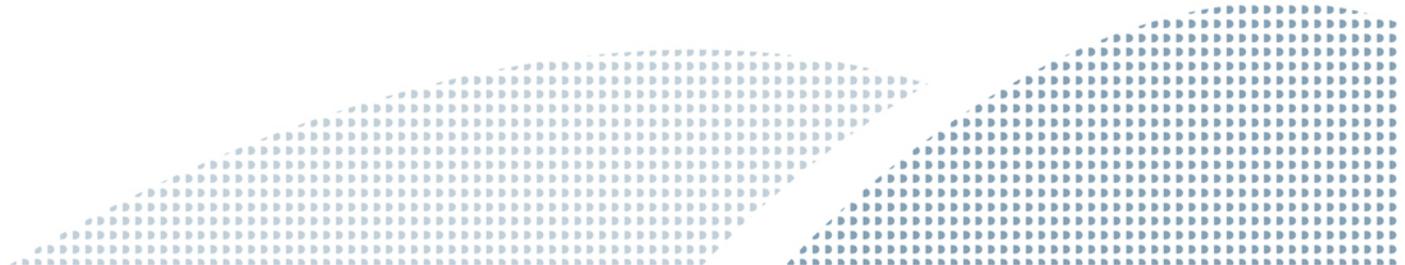
Movements in reserves

- CIES compiled on IFRS basis – like a company
- Local Govt isn't a company, it has council tax payers and other types of funding
- Accounting needs to reflect that
- MIRS analysis the movement in the performance for the year between reserves
- Supported by detailed notes
- General fund started at £15m, closed at £30.8m
- Note 52 shows the analysis



Context of financial performance

- The Council had been predicting an overspend throughout the year
- Additional funding was put into front-line services following LGR
- Convergence and restructured support services delivering savings
- More action has followed since 2019/20:
- Current year budget for Children's Services is £75.1m - increase of £10.1m (15.5%)
- Current year budget for Adults & Housing £122.3m - increase of £8.1m – (7.1%)
- Budget decrease for Corporate Development £9.8m



Impact on reserves

- Overspends fall to be financed from the general fund
- Other reserves have been rationalised and reorganised as a result of Dorset Council being established
- The general fund was topped up to £28.2m as a result of this
- Notes 51 and 52 analyse the movements in reserves and general fund in the year
- We continue to review reserves in light of the 20/21 challenge
- General fund £28.2m, other earmarked reserves £86.2m
- DSG deficit required to be shown as a negative usable reserve
- Using our reserves will affect our resilience



Balance sheet

- The result was the establishment of Dorset Council with total assets of nearly £1.3bn – note 22 shows movements in year
- Long-term borrowing has reduced by nearly £21m, borrowing overall is down by £15m, analysis of maturity in note 39 and separate TM report on the agenda
- Leasehold obligations continue to reduce, reflecting the Council's policy of acquiring assets rather than leasing
- There is £51m of capital grants to be applied to future expenditure identified in the capital programme
- Other unusable reserves reflect accounting or other statutory requirements and are not available to support service delivery
- There is no prior year to compare with



Cash flow

- £10.3m positive cash flow from operating activities
- £18.8m cash outflow from investing activities
- £35m positive cash flow from movements in short-term lending and borrowing
- £110k net outflow in longer-term financing
- £2.5m net outflow on PFI and leasing contracts
- Closing balance of cash of £31.5m, an increase of £10.9m



Future prospects

- 2019/20 was final year of a 4-year spending review
- 2020/21 was a one-year settlement
- 2021/22 will also be single-year
- Significant uncertainty over future funding, much is one-year “rollover” including IBCF
- Net public sector borrowing has breached £250bn for the first six months of this year
- Total Govt debt exceeds £2trillion
- No fair funding review or business rates retention clarity
- Continuing impact of coronavirus
- The future remains challenging



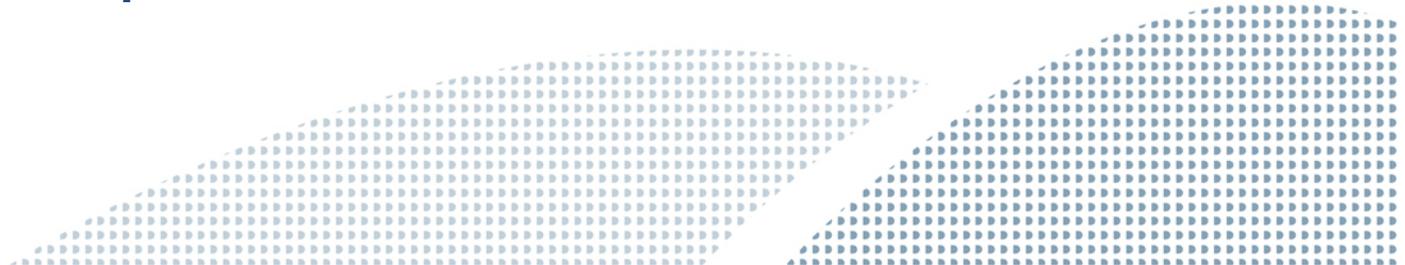
Audit opinion

- Unqualified – except VFM Children’s Services
- Previous qualification issues around the financial statements have been dealt with
- Recommendations made by the Auditor and responses
- Also audit findings communicated to officers already and these will also be dealt with
- Reflections on these?
- More from Deloitte separately on this agenda



Work still in progress

- Auditor will report on WIP
- Audit opinion and timing
- Audit issues requiring attention – responses and plans
- Developing 2021/22 budget strategy and MTFP
- Finalising the capital programme
- Monitoring current year spend and savings plans/development



Questions/thoughts?

